

**MINUTES**

**MONTANA SENATE  
58th LEGISLATURE - REGULAR SESSION  
COMMITTEE ON STATE ADMINISTRATION**

**Call to Order:** By **CHAIRMAN JOHN COBB**, on February 21, 2003 at 3:25 A.M., in Room 335 Capitol.

**ROLL CALL**

**Members Present:**

Sen. John Cobb, Chairman (R)  
Sen. Mike Sprague, Vice Chairman (R)  
Sen. Kelly Gebhardt (R)  
Sen. Carolyn Squires (D)

**Members Excused:** Sen. Mike Wheat (D)

**Members Absent:** None.

**Staff Present:** Pat Murdo, Legislative Branch  
Mona Spaulding, Committee Secretary

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: SB 423, 2/17/2003; SB 431,  
2/17/2003  
Executive Action: SB 423; SB 405; SB 322; HB 87; SB  
431

**HEARING ON SB 423**

**Sponsor:** SENATOR JERRY BLACK, SD 44, SHELBY

**Proponents:** Tom Figarelle, Forward Montana; Cory Swanson; Steve Turkiewicz, Montana Auto Dealers' Association

**Opponents:** Jonathan Motl, Reynolds, Motl & Sherwood, Helena

**Informational Witnesses:** **Dulcy Hubbert**, Office of Commissioner of Political Practices (COPP)

**Opening Statement by Sponsor:** **SENATOR JERRY BLACK** said SB 423 was a non-political, housekeeping bill referring to campaign contributions for candidates to state offices. It takes law currently in effect and raises the contribution limits that can be made two and one-half times. This increase is to allow for increases due to inflation. It will also allow candidates to participate in the political process who might otherwise not be able due to financial constraints. He said the maximum contribution now is \$100; with SB 423 it will increase to \$250. **SEN. BLACK** said candidates will not necessarily spend less or more money, because that is a personal decision, but it will allow candidates to campaign and not spend an exorbitant amount of time raising funds.

**SEN. BLACK** said the amendment to SB 423 **EXHIBIT (sts39a01)** rounds numbers to the nearest \$50.00 increment. It is necessary because an inflation factor causes annual changes by the amount of a CPI.

**Proponents' Testimony:** **Tom Figarelle**, representing **Forward Montana**, stood in support of HB 423. He said Forward Montana is an organization of young people formed to further economic development, educational opportunities, environmental protection and government involvement. **Mr. Figarelle** said Forward Montana had no direct stake in SB 423, but believed it would give young people access to the political process. It helps level the playing field by giving those who are less wealthy an opportunity to enter the political arena, and it allows candidates to focus more on campaigning and less on raising money.

**Cory Swanson**, representing himself, said he was in support of HB 423 because, compared to the surrounding region, Montanans' campaign contribution limits were ridiculously low. He said people were deprived of an opportunity to support candidates to the extent they would like, and candidates are deprived of the opportunity of being competitive, especially if the opponent is well-known or has personal wealth. **Mr. Swanson** said most independent expenditures come in on behalf of candidates from political groups, special interest groups and political parties. He said there is nothing wrong with independent expenditures, except that the "hard money" part of the campaign finance system works best in Montana and America. Contributions to individuals and PACs (Political Action Committees) are reported, as are expenditures. Candidates have control over where the money goes, but independent groups have less accountability. **Mr. Swanson** said Montana trends below every state in the region except Washington. He said people who believe in candidates, spend their money and

write their name on a report, give more accountability to the political system, and give the public a better idea where money is going. He said SB 423 is good for young candidates and candidates who aren't wealthy, and it's a good idea for accountability in politics. **EXHIBIT(sts39a02)**

**Steve Turkiewicz, representing the Montana Auto Dealers'**

**Association** (MADA), said the association had a modest Political Action Committee (PAC) that did not make campaign contributions for Legislative candidates until after the primary, when there had been time to review candidates and their positions. **Mr. Turkiewicz** said by the time decisions were made as to how the PAC would contribute to campaigns, campaigns had often reached contribution limits, and their PAC money was returned. He said MADA supports an inflation factor both for PAC limits and contributions candidates can receive.

**Opponents' Testimony: Jonathan Motl, representing Reynolds, Motl & Sherwood, Helena,** said he was the attorney who did the original study and drafted Initiative 121, which was the mechanism setting the current campaign limits that SB 423 seeks to amend. He said campaign limits need to conform with the 1976 U.S. Supreme Court ruling Buckley v. Veleo, that defined money as free speech. The case found limits to be constitutional when they amounted to five percent or less of the political contributions they sought to limit. The 1994 Initiative based limits on the most expensive gubernatorial race, the Bradley-Racicot race, and every other most expensive political race in the history of Montana. **Mr. Motl** said limits were also set at five percent for another reason: Initiative 121 went through litigation about two years ago in a District Court trial; Sarah Bond was the attorney representing the State of Montana. **Mr. Motl** said he was a witness in the trial. The law was sustained because, under the test of a trial where evidence is presented and cross-examined, it was established beyond a doubt that limits affect only the most wealthy in the State of Montana. It is now on appeal to the 9th Circuit. **Mr. Motl** said contrary to previous testimony, SB 423 is a democratic bill because every poll in Montana, and nationally, shows the public to believe that money equals political power. The public doesn't want to see excessive contributions from any source going to candidates for public office. He said confidence in the political system has been undermined, and is affecting the public's willingness to participate causing a lower voter turnout. **Mr. Motl** said SB 423 was a political bill, contrary to previous testimony, because it challenges the will of two-thirds of the voters in Montana. **Mr. Motl** said SB 423 was not a housekeeping bill, but was inflammatory, alarming, anti-democratic, and comes at time when Montana stands as a shining example of campaign finance reform.

**Questions from Committee Members and Responses:** **CHAIRMAN COBB**

asked **Mr. Motl** if he was opposed to amending contribution limits to bring them in line with inflation. **Mr. Motl** said he had been tracking limits with regard to inflation on a yearly basis. He said an inflation factor was not included in the original legislation because the bill was passed by citizenry, and when it is modified it should be modified by citizenry. He said he had promised voters he would examine campaign contributions and, when the time came for limits to increase, a bill would be brought forward by the committee that supported the legislation in 1994.

**Mr. Motl** said he wasn't representing that committee, but was speaking for its soul.

**CHAIRMAN COBB** said, speaking for himself, that limits were too low, though perhaps SB 423 increased them too much. **Mr. Motl** said the last time he examined the issue, money spent in campaigns had not significantly increased. He noted specific exceptions, such as the Cooney and Fox campaigns. **Mr. Motl** said contribution limits don't prevent candidates from raising money, and the upside is limits allow the public to have confidence in the political system. He said individuals can give \$100 whether they are wealthy or not, and it is more fair.

**SEN. SPRAGUE** asked **Mr. Motl** is he was sympathetic at all to PAC limits. **Mr. Motl** said when Initiative 118 passed, the amount political parties could contribute to campaigns was approximately doubled. **SEN. SPRAGUE** said he was talking about industries that wanted to contribute money when candidates reach their maximum contribution. **Mr. Motl** said that aggregate PAC limits were not affected by SB 423. **SEN. SPRAGUE** and **CHAIRMAN COBB** referred to the bill, showing aggregate PAC limits to be affected. **Mr. Motl** said that aggregate PAC limits were looked at annually, and the assessment included the inflation factor that was included when the legislation passed. At that time PACs accounted for approximately 25% of total receipts for the average candidate. Some candidates received as much as 80-90% from PACs. He said increased money from PACs seemed to be the national trend. In order to allow PACs a significant role, but not a dominant role, limits were set and an inflation factor added to it. **Mr. Motl** said PAC contributions have remained between 25-33% in each of the campaigns since, and there is no reason to increase limits at this time.

**Closing by Sponsor:** **SEN. BLACK** said the increase suggested in SB 423 was intended as a place to begin the dialogue, but amendments by the Committee would be considered. He said the voters of Montana had been sent a message that if you don't have a lot of money personally, you'd better not enter politics. Raising campaign contribution limits would make it easier for the average candidate to compete in the political process.

**EXECUTIVE ACTION SB 423**

**Motion:** SEN. SPRAGUE moved that SB 423 DO PASS.

**Discussion:** Committee members discussed the merits of raising campaign limits, with divergent opinions among them. The four members present gave individual preferences of raising campaign limits by 0%, 30%, 50% and 100%. The majority agreed informally on conceptual amendments raising limits by 30%.

**Motion/Vote:** SEN. SPRAGUE moved DO PASS ON THE CONCEPTUAL AMENDMENT to SB 423. Motion carried 3-1 with SQUIRES voting no. (SEN. WHEAT not voting.)

**Discussion:** No executive action was taken on SB 423 pending calculations based on the conceptual amendment.

**EXECUTIVE ACTION SB 405**

**Motion:** CHAIRMAN COBB moved that SB 405 DO PASS.

**Motion:** SEN. SPRAGUE moved AMENDMENT TO SB 405.  
**EXHIBIT** (sts39a03)

**Motion/Vote:** SEN. GEBHARDT called for the QUESTION ON THE AMENDMENT TO SB 405. Motion carried 3-1 with SQUIRES voting no. (SEN. WHEAT not voting.)

**Motion/Vote:** SEN. GEBHARDT called for the question that SB 405 DO PASS AS AMENDED. Motion carried 3-2 with SQUIRES and WHEAT voting no. (SEN. WHEAT voting by proxy.)

**EXECUTIVE ACTION ON SB 322**

**Motion/Vote:** SEN. SQUIRES moved TO STRIP THE OLD AMENDMENTS ON SB 322. Motion carried unanimously 4-0. (SEN. WHEAT not voting.)  
SB023901.agp

**Discussion:** SEN. ELLIOTT said the amendment capped the amount of credit going into the special fund at \$200,000, plus any amount previously borrowed. He said the cap removed 90% of the fiscal impact. Some administrative changes were included at the request of the Commissioner of Political Practices.

**Motion:** SEN. SQUIRES moved new AMENDMENTS TO SB 322. Motion carried unanimously 4-0. SB023902.agp (SEN. WHEAT not voting.) **EXHIBIT**(sts39a04)

**Motion/Vote:** SEN. SQUIRES called for the QUESTION ON SB 322 DO PASS AS AMENDED. Motion carried unanimously 5-0. (SEN. WHEAT by proxy.)

**EXECUTIVE ACTION HB 87**

**Motion/Vote:** SEN. SPRAGUE moved that HB 87 BE CONCURRED IN. Motion carried unanimously 5-0. (SEN. WHEAT by proxy.)

**EXECUTIVE ACTION SB 423, cont.**

**Discussion:** SEN. GEBHARDT presented the calculations resulting from the amendments. {Tape: 2; Side: B}

**Motion/Vote:** SEN. COBB moved to ACCEPT THE NEW NUMBERS AS PRESENTED plus the INFLATIONARY INCREASES made in SB 423. Motion carried 3-1 with SQUIRES voting no. (SEN. WHEAT not voting.)

**Motion/Vote:** SEN. COBB moved that SB 423 DO PASS AS AMENDED. Motion carried 3-2 with SQUIRES and WHEAT voting no. (SEN. WHEAT voting by proxy.)

**HEARING ON SB 431**

**Sponsor:** SENATOR JIM ELLIOTT, SD 36, TROUT CREEK

**Proponents:** Tom Foor, Board of Trustees, Montana Historical Society (MHS); Shirley Groff, Board of Trustees, MHS and Virginia City volunteer; Bill Holt, Board of Trustees, MHS; Cory Swanson; Robert F. Morgan, Board of Trustees, MHS; Arnie Olsen, Director, MHS; Lee Rostad, Board of Trustees, MHS

**Opponents:** Colin Mathews, President, Town Council, Virginia City; SENATOR DALE MAHLUM, SD 35, Missoula; Mark Simevich, Director, Department of Commerce (DOC); Jeffrey Tiberi, Executive Director, Montana Heritage Commission (MHC)

**Informational Witnesses:** Angie Grove, Performance Audit Manager; Jeff Hagener, Director, Fish, Wildlife and Parks (FWP); Doug Monger, Administrator, Parks Division, FWP

**Opening Statement by Sponsor:** **SENATOR JIM ELLIOTT** said SB 431 implements recommendations of the Legislative Audit Division **EXHIBIT (sts39a05)** that the properties of Virginia City and Nevada City, currently managed by the Montana Heritage Commission (MHC), be transferred to the Department of Fish, Wildlife and Parks (FWP), and that the MHC be placed in an advisory role. **SEN. ELLIOTT** said everyone wanted the Virginia and Nevada Cities enterprise to succeed. He expressed concerns that it would not succeed under current management, because a commission meeting four times a year cannot provide adequate staff oversight.

**SEN. ELLIOTT** said he wasn't in the legislature when Virginia and Nevada Cities were acquired; but he was in 1995 when the legislature rejected acquisition. He said he voted to reject because he felt that the enterprise would not be self-sufficient, and would become a ward of the state. He was not opposed to the properties becoming a ward of the state, but the rationale for taking the properties was to make money. **SEN. ELLIOTT** said the properties weren't making money in private enterprise, he didn't believe they would in 1997, and he didn't think they would now. He said he didn't believe then, and doesn't believe now that Virginia and Nevada Cities (V&NC) should be a government operation. He said "everyone wants them, no one wants to fund them, and everyone expects them to make money." **SEN. ELLIOTT** said the project deserves the best management available and is not getting it. If V&NC go to FWP, and are designated a flagship park, they will attract as many visitors and as much renown as possible. The site is one-half hour from the Lewis & Clark Caverns, which is Montana's largest state park tourist attraction. **SEN. ELLIOTT** said he had toured V&NC and found it an attractive place with much potential. The current budget is about one million dollars, \$400,000 of which comes from the bed tax, \$300,000 from revenue, and \$300,000 from donations. He said twenty percent of the total goes for administration in the Helena office as salaries for two people. Those two people travel to V&NC on an intermittent basis. Because they travel, concomitant expenses are incurred to cover milage, meals and lodging. **SEN. ELLIOTT** was concerned that V&NC had no on-site management. He said an audit report suggested hiring one. He didn't view that as prudent. He thought the merged positions of on-site manager and executive director, headquartered in V&NC, would better address the situation. He said someone should be on-site to account for staff time and be available for concessionaires. **SEN. ELLIOTT** reviewed the Audit Report, page 17, "Controls Recommended by Commission Plans and Studies". **EXHIBIT (sts39a06)** He noted that the V&NC project had 248 buildings that were valued at \$50,000 each, which didn't differentiate between "an opera house and an out house." He did not agree that restoring twenty railroad cars and one and one-half miles of track was a high priority. There is a \$480,000 request for a maintenance buildings, but no



maintenance budget. He said the conclusion of the legislative audit is that business controls need to be implemented. There are between 500,000 and one million artifacts in V&NC that are not adequately inventoried in the approximately six years the State has had the property. In 2001 the Montana Historical Society requested the inventory as a priority, and that a plan made to implement statistical spot checks. **SEN. ELLIOTT** said "if we don't know what we have, we don't know what we lose." Ten thousand dollars have been spent to acquire additional artifacts, which may include duplication. The audit contains a list of existing business and management controls and suggested management options. FWP was found to have the necessary administrative and management systems. SB 431 gives the MHC an advisory function. **SEN. ELLIOTT** said although V&NC is valuable historical property, the myth that it would ever be self-sufficient needs to be buried. He said the bed tax needs to be continued, but that changes need to be made in order to keep the V&NC asset. He noted that the Department of Health and Human Services, with over 1,000 employees has a salary and benefit package of \$84,000, while nineteen employees and the Executive Director of the V&NC project have almost \$100,000.

**Proponents' Testimony: Lee Rostad, Board of Trustees, Montana Historical Society (MHS);** said the Montana Historical Society Board of Trustees (MHS-BD) has 15 members state-wide from Scobey to Lolo, appointed by the Governor to serve five year terms. The MHS-BD is united in supporting SB 431. He said the MHS had limited support capability. Ideally he would like it to be funded and staffed so that V&NC could be managed as a single jurisdiction, because the mission of the society closely fits this role. Since that is unlikely, the MHS-BD supports FWP assuming V&NC management. **Mr. Rostad** said SB 431 does not solve everything, but goes a long way to put the V&NC project on track for the long term. **EXHIBIT(sts39a07)**

**Arnie Olsen, Director, Director, Montana Historical Society (MHS),** said he also serves on the **Montana Heritage Commission (MHC)** as a statutory appointment, but doesn't supervise the Executive Director or staff of the MHC. For the record, **Mr. Olson** gave a third credential: he worked for FWP for seventeen years, eight of them as a State Park Director. He said SB 431 implements the recommendations of the legislative auditor's performance audit of the MHC and its properties. Although the MHC never sought to have its duties regarding V&NC removed, the audit report recommended it for four reasons: 1) The experiment of self-sufficient did not work, and likely never will. 2) There is a need for structural efficiency by changing the current split in over-lapping jurisdiction between the MHS and the MHC to a single jurisdiction. 3) FWP is the agency in government most suited for



long-term management, and experienced in the management of historic sites and resources. 4) The MHS is a small agency with minimal staff support capability. **Mr. Olsen** said concern had been expressed for FWP's financial ability to handle the V&NC site. SB 431 places a financial fire wall between V&NC and the rest of the state park system prohibiting funds to pass between the entities regardless of the financial condition of either component. V&NC would fall under Region 3, Bozeman. **Mr. Olsen** said the primary work at the V&NC site for nine months a year is preservation of buildings, artifacts, and historical interpretation for public enjoyment--which matches the mission and mandates of the MHS. The tourism season is very short--100 days or less. **Mr. Olsen** said that the Department of Commerce (DOC) has given, and can continue, to give, assistance in marketing and business management. He said it is important for MHS views to be heard on the V&NC project, but MHS will cooperate with any decision the legislature makes, and therefore supports SB 431.

**EXHIBIT (sts39a08)**

**Robert F. Morgan, Board of Trustees, MHS**, stood in support of SB 431. He said when he was a kid growing up on the farm, his dad used to say, "You know how to feed the horses. You know how to milk the cow. You know how to pick up the eggs. But if one of these gets sick, what're you going to do?" When I said, "I don't know, Dad," he said, "You're going to call the veterinarian. You can't know everything." **Mr. Morgan** said that applied to the V&NC site. V&NC has a special meaning for **Mr. Morgan** because his great-grandfather built the first frame home in Virginia City on Grasshopper Creek in 1863. He referred to page 28 of the audit report, table 5, noting that FWP meets all the qualifications to operate the V&NC site; and that the expertise in curation and artifacts could still reside with the MHS.

**Tom Foor, Board of Trustees, Montana Historical Society (MHS)**, said his lineage doesn't go back as far as [**Robert Morgan's**]. **Mr. Foor's** grandfather represented Roosevelt County as a State Senator sixty years ago. He said, as he was driving through squalls from Missoula today, he thought about what his grandfather would advise. **Mr. Foor** said he would say, "Be brief." He said, after careful consideration of the alternatives, he supported SB 431.

**Shirley Groff, Board of Trustees, Montana Historical Society (MHS) and Virginia City volunteer**, said the V&NC project is impossible with the staff available. She played in V&NC buildings as a child, and the project is important to her. She stands in support of SB 431 because it is the best alternative.

**Bill Holt, Board of Trustees, Montana Historical Society (MHS)**, rose in support of SB 431. He complimented **Mr. Tiberi** and the MHC. **Mr. Holt** said he is the senior trustee, was there when the State first looked at V&NC; when the legislature turned the project down the first time; and the second time when everyone knew it would be a big challenge to make the V&NC project work. **Mr. Holt** said the V&NC site should go to FWP where there is experience. {Tape: 2; Side: B}

**Opponents' Testimony: Jeffrey Tiberi, Executive Director, Montana Heritage Commission (MHC)**, passed out letters from residents of Virginia and Nevada Cities addressing the issue of transferring the project to FWP. **EXHIBIT(sts39a09)**  
**EXHIBIT(sts39a10)** **EXHIBIT(sts39a11)** **EXHIBIT(sts39a12)**  
**EXHIBIT(sts39a13)** He read EXHIBIT (7) from the Virginia City Preservation Alliance, and gave a brief historical review of FWP's relationship to the V&NC project. The V&NC project had been rejected by FWP because it was seen a potential financial drain, and the 2002 State Parks Futures Committee rejected inclusion of the project into the park system. The MHC was established by the 55th Legislature because of the complexity of the V&NC project and the need for high-profile, focused oversight. It is unique among state agencies, having the sole responsibility to manage historical properties that show the ability to become self-sufficient. Commission members are selected based on the expertise they bring to MHC. **Mr. Tiberi** said the legislature wanted V&NC to be run on the "fringes of government," like a business, with the idea to make it work as a stand-alone operation. SB 431 assumes V&NC could be a State park. Locations of properties involved in the V&NC site are interspersed through an existing community, requiring the involvement of a citizen-commission. He noted that the citizens of V&NC had not been asked, in a formal way, their thoughts about a State park designation. The MHC has five years experience managing the V&NC properties in a unique, public-private partnership. Finally, he said, FWP already manages the site as a full voting member of the Commission. **Mr. Tiberi** said the financial fire-wall, previously referred to, does not protect both entities. The way SB 431 is written, no money from State parks can go to V&NC, but funds from V&NC can be used by State parks. He noted that SB 431 eliminates the clause "demonstrates the ability to become economically self-sufficient," saying it is too early to give up on the challenge presented by the 55th Legislature. **EXHIBIT(sts39a14)**

**Mark Simevich, Director, Department of Commerce (DOC)**, stood in opposition of SB 431 on behalf of Governor Martz. He said by statute the Director of the Department of Commerce (DOC) is a member of the Montana Heritage Commission (MHC). That change was made two years ago by the Legislature and made effective October,

2001. He said **Governor Martz** is on record in support of SB 101 and SB 232 relating to the management of historical properties in the administration of the MHC. He said a close look at the V&NC project reveals a tremendous amount of work has been accomplished. Millions of dollars have been spent on preservation, maintenance, curation and interpretation of the properties and assets. He said the MHC has taken their job seriously and, starting from nothing, has developed resources to preserve and manage Montana's historical treasures. He said that there are not all the resources needed is not a fault of the MHC, but simply recognition that the Legislature determined there would not be a continuous flow from general funds. The expectation the V&NC become self-sustaining committed the MHC to running the operation as much like a business as possible, and operating within monetary rest restraints. **Mr. Simevich** said changing management would not materially add to sustainability, or to making management resources available. He said that citizen boards and advisory councils are very different: Board members tend to take their responsibilities very seriously because each one feels individually responsible; Advisory Councils don't have responsibility for decisions they make. **Mr. Simevich** said one of the greatest assets the State has regarding the V&NC site is the MHC. He asked the Committee to give MHC the opportunity to continue to do its job with V&NC.

**SENATOR DALE MAHLUM, SD 35, Missoula**, stood in opposition of SB 431 saying FWP already has a "full plate," and would have a difficult job taking on the V&NC site. He expressed concern that the House passed HB 465 (**REP. PAUL CLARK**) which passes a moratorium on FWP construction sites. He said changing management could result in Travel Montana cutting \$400,000 now being used for maintenance. **SEN. MAHLUM** also noted that the wishes of residents and government officials in V&NC have not been considered. He said, this isn't "just a park; these are living, breathing people, and this is their town." He said the Commission was comprised of very dedicated people; losing them would be losing expertise that has been in place from the beginning in 1997.

**Colin Mathews, President, Town Council, Virginia City**, and **member, Board of Directors, Madison County Economic Development Council**, stood in opposition of SB 431. He said he brings the perspective of local government wanting to emphasize positive elements that need to remain in the forefront. He and his wife are the largest private investors in the V&NC economy, employing over 25 people each season. They have infused more than one million dollars of their own money into the economy over the past six years, and are deeply committed personally, professionally, and through voluntary service to community organizations. He said

the town council voted unanimously for a resolution in support of SB 101 and SB 232. That vote of support last month for the MHC is a matter of formal record. **Mr. Colin** presented two different visions of Wallace Street, the main street of Virginia City, ten years from now. In the first, state-supervised concessions run at break-even. Resident repertory companies make money. But retail enterprises in state-owned properties are just hanging on. Visitors per year have plateaued, and there is no longer any national or international press. Bonds are being services, and their principal will be retired from operational revenues. This, he said, is a vision of an adequate state-street, but not a healthy main street. In the second, private businesses as well as those in state-owned properties are all doing well. The town's revenues are up. Year-round employment is rising, and the local economy remains vibrant in the winter months. This, he said, is a vision of what success in a committed public-private partnership can bring. {Tape: 3; Side: A} **EXHIBIT (sts39a15)**

**Informational Testimony:** **Jeff Hagener, Director, Fish, Wildlife and Parks**, said he was here to answer questions.

**Questions from Committee Members and Responses:** **SEN. KELLY GEBHARDT** asked **Mr. Hagener** how FWP would pay for the V&NC project if they got it. He said from the same revenue sources there are now; and, there are bills in the Legislature that might provide some additional funding.

**CHAIRMAN COBB** said he doesn't see how staff and management problems could be fixed without more money. He asked **Jeff Hagener** to comment. **Mr. Hagener** said he was not clear on specifics. Provisions in the audit stated FWP already had administrative capability and infrastructure that could absorb some of the load.

**CHAIRMAN COBB** said, right now, the MHC is working with the community. If FWP stepped in, people would feel offended. If the town is upset, that is a management issue. He asked what sort of relationship FWP would have with the town. **Doug Monger** said FWP manages its major parks with on-site managers. He envisions that would occur at V&NC. That person and immediate staff would be responsible for liaison with the community.

**CHAIRMAN COBB** asked if **SEN. DALE MAHLUM's** bill passed, would that make FWP advisory under the DOC. **Mark Simevich** said he wasn't too familiar with the bill, but it changes the agency to which MHC is attached. Currently it is attached to MHS for administrative purposes only. With **SEN. MAHLUM's** bill it moves to the DOC, retaining all of its current statutory authority and making DOC responsible for accounting, budgeting, information technology, and legal services.

**CHAIRMAN COBB** asked what would happen with management at the site. **Mr. Simevich** said the Commission would retain all of its

authority. He said the difference between the two bills is that SB 431 puts V&NC directly within FWP.

**CHAIRMAN COBB** asked if the grant had been received. **Mr. Simevich** said word had recently been received from **U.S. SEN. BURNS'** office that it would be forthcoming--from \$2 million to \$2-1/2 million dollars.

**SEN. MIKE SPRAGUE** said if everyone could "pull from the same end of the rope" a lot would get done. He asked if SB 431 was a good faith effort or a cause-and-effect bill resulting from the bill currently in the legislature that would sell some V&NC assets. **Arnie Olsen** said it was not a cause-and-effect bill. He said MHS and the board were interested in the long-term care of the V&NC resources, and understand that there are some elements that could be liquidated. He said MHS de-accessions things on a regular basis, trying to keep those items that are important to Montana's history and that meet their mission.

**SEN. SPRAGUE** asked **Mr. Olsen** if he were opposed to the bill that transfers V&NC oversight to DOC. **Mr. Olsen** said he was opposed. **SEN. SPRAGUE** asked why. **Mr. Olsen** said because he didn't feel it was a long-term home for V&NC. There is more to managing the site than administrative oversight. He said MHS has provided a great deal of support: their interpretive historian wrote brochures; a historic architect works on the site; MHS staff have worked on inventory and are actively involved. He said DOC has expertise in marketing and business management, but they have never managed a historic site. Between DOC and FWP, **Mr. Olsen** said FWP was the best option.

**SEN. SPRAGUE** asked **Mr. Simevich** if the Travel Montana promotional magazine were one of the assets DOC could bring to V&NC. **Mr. Simevich** said yes. Many of the previous comments were correct, but if V&NC were attached to DOC they would gain from DOC's role to help promote business, the entrepreneurial aspect of business. He said it was DOC's role to promote tourism.

**SEN. SPRAGUE** asked **Mr. Monger** if FWP's magazine would be used for promotion. He said the Montana Outdoors Magazine was an internal document, with its own editor and editorial staff. It is used as an education and informational tool more than a marketing magazine. The State Parks system does use internal expertise for marketing, but also uses Travel Montana.

**CHAIRMAN COBB** said other agencies give a more detailed audit, or they are made to come back on December 1. He asked **Angie Grove, Lead Auditor on the Virginia and Nevada City Audit**, if the MHC had been asked to come back. **Ms. Grove** said they were asked to come back this summer, but more in relation to report on the status of **U.S. SEN BURNS'** grant. She said during the course of the on-site audit, concessionaires were interviewed. There were concerns in several areas including: concessionaires feel they are not given timely responses; they are unclear where to take requests or concerns; they are concerned that they have not

been able to enter into long-term contract with the state; no one is on-site to make spot decisions.

**SEN. SPRAGUE** asked if the audit perceived that V&NC might be involved with the DOC. **Ms. Grove** said yes. She said Commission members were all interviewed. DOC's perspective was requested as different audit options were considered. **SEN. SPRAGUE** asked what she thought DOC brought to the table. **Ms. GROVE** said, at the time DOC was contacted, which was mid-fall, management indicated that the move to FWP was a good idea. They did not have systems in place to give remote site supervision. **SEN. SPRAGUE** asked her to repeat what she said. **Ms. Grove** said, "they, the Department of Commerce, did not have the systems in place to give remote site supervision, and they thought movement to Parks was a good idea." **SEN. SPRAGUE** asked if that language was somewhere in the report. **Ms. Grove** said, as a rule, interview quotes were not included in reports; so, it is not directly in the report. **CHAIRMAN COBB** said, "then this 'Agency Responses' from Commerce isn't a response?" **Ms. Grove** said "No, it is not." **SEN. SPRAGUE** asked approximately when the comment was made. **Ms. Groves** said October of 2002. **SEN. SPRAGUE** asked her to repeat the statement again. **Ms. Groves** said "the Department Director indicated that they currently do not have the systems in place to manage staff at a remote site, and they felt that movement to the Parks division would probably be a good idea. **SEN. SPRAGUE** asked if it was **Director Simevich** who said it. **Ms. Groves** said yes.

**Closing by Sponsor:** **SEN. ELLIOTT** first responded to opponents' statements. He said **Mr. Tiberi** said the State Parks Futures Committee II said "The existing management structure seems to be working." (He acknowledged this was a paraphrase.) **SEN. ELLIOTT** was a member of that committee and did not remember the statement. He noted page 14 of the Parks Futures Committee Report, recommending "Montana can strengthen its economy by thoughtfully planning for and investing in tourism and environmental quality. This will require coordinated, concerted, more efficient effort on the part of the State government. To do so, the Futures Committee recommends that over the long term, the State consolidate the planning and administration of outdoor culture and history-related recreation and tourism in one agency to save money, avoid duplication of efforts, and increase effectiveness." **SEN. ELLIOTT** said the Committee did not want to remove the tourism function from Travel Montana. **SEN. ELLIOTT** said the statement was made that State parks is running, or might run, a deficit. He said that was also true of V&NC. He said they weren't self-supporting, and shouldn't be expected to be. He took issue with **Mr. Tiberi's** statement about building entrepreneurial culture in government. He said if that were happening, SB 431 would not be in the Legislature. The point was made that V&NC is

running on limited state funding. **SEN. ELLIOTT** said \$400,000 was not, in his view, terribly limited. He said the June 14, 1999 minutes of the Legislative Audit Committee show that **Mr. Tiberi** was asked about the possibility of V&NC profitability. **Mr. Tiberi** said it looked favorable, and that the historic sites may not require further appropriations. the next legislative session, the \$400,000 bed tax was extended another four years. **SEN. ELLIOTT** said the legislature had not asked residents what they would like to do because they were dealing with an audit report. He said it is important that local people be consulted, consoled and helped; but they have to remember that tax dollars come from every Montanan. The V&NC economy is currently backed by \$12 million tax dollars. He said if it is going to be self-sustaining, then that money needs to be repaid. **SEN. ELLIOTT** said from his experience FWP has an excellent working relationship with local groups. They are conscious that they are hosts in the small towns and cities of Montana. **SEN. ELLIOTT** said he doesn't "give a care" about what happens to SB 432, but he does "give a care" about what happens to taxpayers' dollars, that the V&NC properties are managed with efficiency, care, caution, and the best possible expertise available.

#### **EXECUTIVE ACTION SB 431**

**Motion:** **SEN. SPRAGUE** moved that **SB 431 DO PASS.**

**Motion/Vote:** **SEN. COBB** moved the **CONCEPTUAL AMENDMENTS TO SB 431 DO PASS.** Motion carried 3-1 with **SQUIRES** voting no. (**SEN. WHEAT** not voting.)

**Motion/Vote:** **SEN. SPRAGUE** moved that **SB 431 DO PASS AS AMENDED.** Motion carried 4-1 with **GEBHARDT** voting no. (**SEN. WHEAT** voting by proxy.)

**NOTE:** **EXHIBIT**(sts39a16) is a letter from **Mark Simevich, Director, Department of Commerce,** taking exception to **Ms. Grove's** testimony on SB 431, and submitted subsequent to this Committee meeting.



**ADJOURNMENT**

Adjournment: 5:50 P.M.

---

SEN. JOHN COBB, Chairman

---

MONA SPAULDING, Secretary

JC/MS

**EXHIBIT (sts39aad)**